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SUBJECT: SCENESETTER FOR CODEL JOHNSON

11. (U) SUMMARY: The U.S. Mission warmly welcomes your upcoming visit to Morocco. Your visit, the third by a congressional delegation in the New Year, following visits by delegations headed by Senators Martinez and Harkin, will help to underscore the importance the United States accords to our relations with Morocco. The depth and extent of those relations are evident in our bilateral Free Trade Agreement, which went into effect on January 1, 2006, and the recently signed \$697 million Millennium Challenge Account (MCA) Compact.

12. (SBU) During your visit, you will find a country seeking balance: balance between traditional Muslim values and the permeation of Western culture; balance between increased industrial production and protection of natural resources; and balance between a traditional agro-based economy and urban and industrial development. Although Morocco has recently experienced a large increase to its tourism industry and in urbanization, much of the country remains relatively underdeveloped with per capita GDP of less than USD 2,500. While Morocco has demonstrated an increasing commitment to environmental protection, it still faces major challenges, particularly in the quality and quantity of its water supply. Your visit will reinforce our efforts to help Morocco find the right balance between environmental protection and development.  
END SUMMARY.

13. (U) FREE TRADE AGREEMENT: Since its implementation on January 1, 2006, U.S. exports to Morocco have seen a sharp increase. According to U.S. trade figures, bilateral trade through the first 10 months of 2007 was nearly double its 2005 level. The increase has been most pronounced for U.S. exports (up 67 percent in 2006 and a further 41 percent through October 2007), but Moroccan exports have also increased significantly as well. Moroccan officials have been reluctant to sign onto this "good news" story, however, as their statistics show an even more unbalanced picture, an issue we are working with the U.S. Census Bureau and appropriate Moroccan authorities to reconcile. More generally, there is widespread concern in Moroccan economic circles about the country's competitiveness in the global economy, as its trade deficit has swelled over the past several years.

14. (SBU) WATER: The greatest environmental problem facing Morocco is water. Both the quality and quantity of available water are key concerns for a country that experiences recurring and severe droughts. The Moroccan government has worked in recent years to make the country's economy less dependent on the agricultural sector, which fluctuates dramatically from year to year based on climactic conditions (a bumper crop in 2006 was followed a year later by a serious drought). It has achieved some success in ensuring that non-agricultural growth remains strong even when agriculture falters. It is also seeking to shift farmers from

water-intensive crops such as cereals to fruit trees and other crops that are better adapted to Morocco's environment. The recently signed MCA Compact includes a major project to aid this ambitious government effort.

15. (SBU) Even this shift to a more environmentally appropriate crop creates its own challenges, however. As it seeks to double the acreage of olive farms to approximately 2.5 million by 2010, the Kingdom faces the challenge of dealing with the by-products of the expanding industry. Olive oil production creates wastes, called margines, which are the remnants of squeezed skins, ground pits, pulp, salt, and water. Although the margines can be dried into a cake-like substance that can be burned as a low-grade fuel, more often, the organic waste is dumped directly into waterways, where it consumes oxygen and leaves an oily film. The problem is most pronounced around Marrakech, Fes, and in the Sebou River watershed. Recent U.S. Trade and Development Agency projects have targeted solid waste management, olive oil waste and water treatment.

16. (U) WESTERN SAHARA: Bilaterally, your visit comes during the third round of talks between Morocco and the POLISARIO under United Nations auspices. The so-called Manhasset process represents an opportunity for the two parties to engage in a meaningful dialogue that will hopefully lead to a resolution of the Western Sahara conflict.

17. (SBU) POLITICAL AND ECONOMIC REFORM: Morocco has made impressive political and economic strides in recent years, including liberalization of its trade relations with the United States and other countries. King Mohammed VI rules as well as reigns. He has championed significant political reforms, including relative freedom of expression, advances on human rights, and the 2004 family law (or "moudawana"), which has significantly enhanced the rights of women.

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Partly as a result of this reform record, the current form of government retains support across the political spectrum.

18. (SBU) CHALLENGES: Nonetheless, Morocco continues to face serious challenges. Illiteracy and joblessness remain high, and while economic growth has accelerated (averaging 5.4 percent from 1999 to 2006), it has not yet achieved the level needed to absorb new entrants to the labor force or to reduce poverty. Frustration over the lack of employment opportunities, the government's inability to respond fully to educational and health needs, and endemic corruption, have broadened the appeal of Islamic-oriented parties and non-governmental organizations.

19. (SBU) The September 7, 2007 elections, while representing significant progress in terms of governmental conduct of elections, highlighted a fundamental lack of popular confidence in the political system. Sixty three percent of registered voters did not vote. Among the 37 percent who did vote, approximately one fifth cast blank or spoiled protest ballots. The nationalist Istiqlal party won less than a fifth of the votes, slightly ahead of the Islamist Party of Justice and Development, but emerged as the largest bloc in the new parliament. The current government is made up of a minority coalition headed by Istiqlal Prime Minister Abbas El-Fassi.

110. (SBU) TERRORISM: Popular frustrations, combined with satellite television from the rest of the Arab world, have strengthened a dangerous terrorist fringe, as reflected in the April bombings in Casablanca that targeted the U. S. Consulate and Cultural Center, among other targets. In the face of this threat, U.S.-Moroccan counterterrorism cooperation has been excellent, as is reflected in the recent visits to Rabat of APHSCF Frances Townsend, and FBI Director Mueller. The U.S. finds in Morocco a capable and active partner in the war against terror. Morocco pursues an interdisciplinary approach in confronting the threat, seeking to address the economic marginalization of youth and refute extremist ideology by propagating Islamic messages of tolerance and moderation, while at the same time pursuing vigorous law enforcement and intelligence operations against specific terror cells. It has acknowledged over the past year the importance of protecting human rights during the pursuit of counterterrorism efforts.

¶11. (SBU) Our Mission Strategic Plan also adopts this holistic approach, seeking on the one hand to sustain and expand counterterrorism efforts in Morocco through continued diplomatic, law enforcement and military cooperation, while on the other supporting the country's ongoing social, economic, and political reforms that directly address the conditions that create extremism.

¶12. (U) U.S. FOREIGN ASSISTANCE: Morocco received over USD 35 million in U.S. foreign assistance in FY07, approximately half of which will be for activities under peace and security with expenditures under IMET, INCLE, NADR and FMF. USD 18.9 million was spent to address Morocco's ongoing development challenges through USAID with programs in economic growth, education/workforce development and democracy/governance. Additional funding from Washington of approximately USD 2 million annually is made available through the Middle East Partnership Initiative for advancing the Freedom Agenda, and occasionally through other agencies, as well.

¶13. (U) The USD 697 million, five-year MCA Compact represents a significant increase in U.S. assistance that will potentially have a profound impact on Morocco's prospects for economic growth, especially in agriculture, fisheries and traditional crafts. However, Development Assistance (DA) and Economic Support Funds (ESF) are looked to in order to underwrite an assistance response that is complementary to the investment being made by the USG through the Millennium Challenge Corporation.

¶14. (U) That complementary assistance looks to the needs of the two-thirds of the 30 million Moroccans who are under age 30. This population bulge, a result of rapid population growth in the 1970s and 1980s, has led to the significant challenges outlined. Joblessness, underemployment, poor education, and the inability of government to meet citizens' needs are sources of alienation, radicalization, and extremism that underpin a continuing terrorist threat.

¶15. (U) U.S. economic and development assistance is necessary to continue to focus on three priorities: education, economic growth, and democratic governance. U.S. assistance for peace and security should include FMF at adequate levels to sustain a large stock of U.S.-origin equipment while continuing strong military to military

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partnership with Morocco, a major non-NATO ally. This will enhance the professionalism and skills of Moroccan military personnel, improve Morocco's ability to control its borders, and build upon the Moroccan military's contributions to international peacekeeping efforts and the global war on terror.

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